

Purchasing Card Best Practices: Making Payables a Core Element of Your Broader Financial Strategy

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Welcome and introductions

From J.P. Morgan

- Donna Janeczko, Global Commercial Card Relationship Manager
- Nancy Dorsa, Government Banking Relationship Manager

Key trends shaping the card payables landscape

From 2014 RPMG Study Covering Industry Purchasing Card Activity from 2011 Through 2013

- Organizations continue to steadily increase their capture of low value transactions

27%
Increase in spend capture 2011 to 2013



- 53% ▶ Transactions under \$2.5K
- 32% ▶ Transactions \$2.5 to \$10K
- 13% ▶ Transactions \$10K to \$100K

- Large Market entities use EAP most; EAP users have 81% higher monthly spend capture

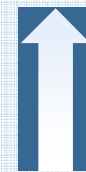
\$1.9M
Purchasing card spend capture per month



- 26% ▶ Large Market
- 24% ▶ Fortune 500
- 16% ▶ Government & Not For Profit
- 13% ▶ Middle Market

- Best practice programs capture more spend, distribute more cards and have higher spend limits

700%
More spend captured monthly

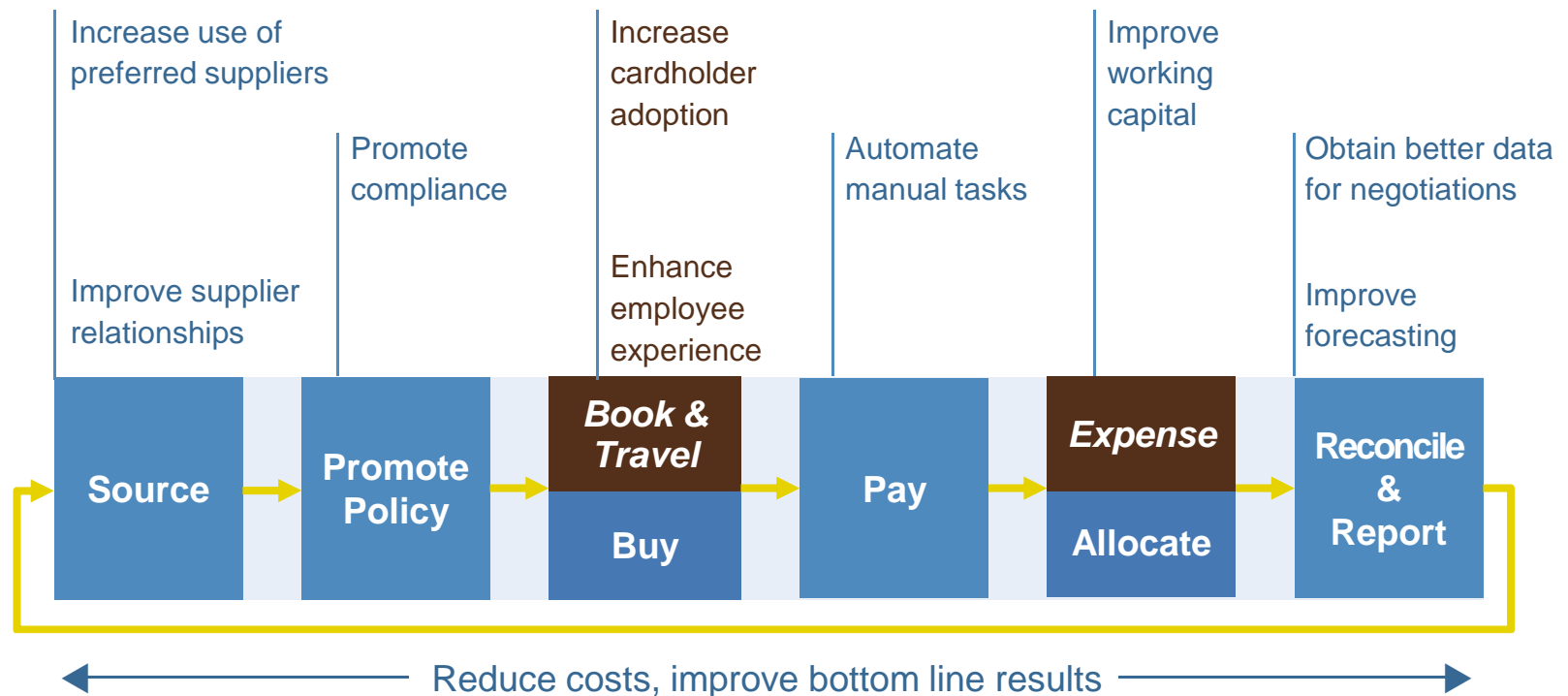


- ▶ 300% more cards distributed
- ▶ 61% higher per transaction limit
- ▶ 44% higher monthly spend limit

Worth noting: organizations with higher spend limits do not experience greater losses from fraud than programs with lower spend limits.

Source: RPMG Research Corporation, 2014 Purchasing Card Benchmark Survey. RPMG defines EAP as “non-plastic purchasing card accounts used to pay for goods and services after an invoice has been received.” “Best Practice” (BP) purchasing card programs as those that report at least one top quartile (And no bottom quartile) metrics across four key performance measures, including (1) the percentage of under \$2,500 transactions paid by purchasing card, (2) the percentage of \$2,500 to \$10,000 transactions paid by purchasing card, (3) purchasing card spending as a percent of annual sales revenue (or budget) and (4), monthly purchasing card spending per employee.

Opportunities exist across the end-to-end expense management process



Where is your company focusing?

Purchasing card accounts at a glance

Different card types for different needs

We can issue cards to individuals, departments or suppliers for general expenses or very specific needs – for example all purchases related to a specific project, a pre-defined budget or a meeting/event.



Individual
Given to an individual cardholder; often used at the point-of-sale (POS)

Department
For use within a specific department; used virtually or at POS

Supplier
“Lodged” with a specific supplier or within an AP department; used at time of order or upon invoice receipt

Purchasing card accounts at a glance

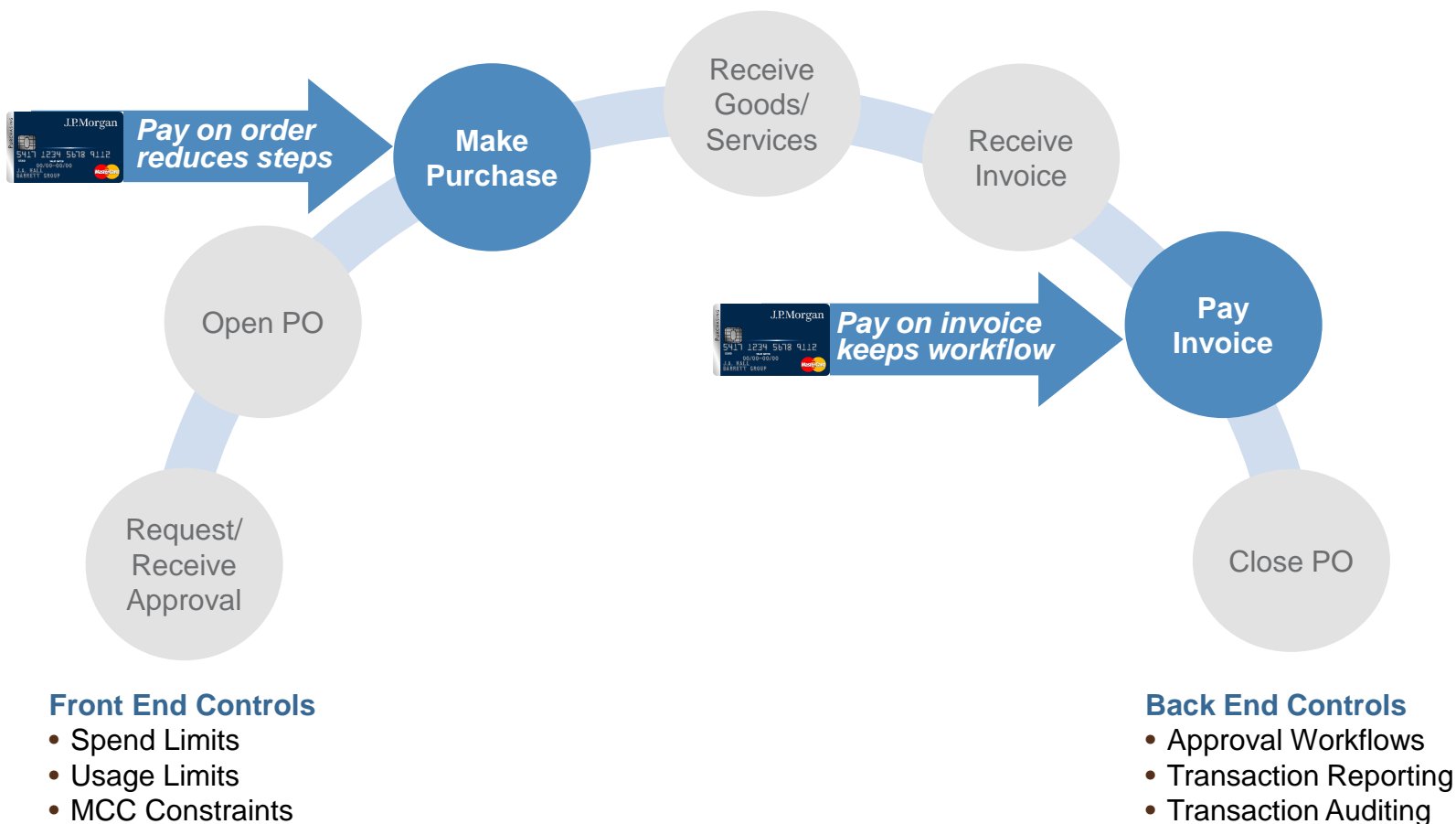
Key features and benefits

- Web-based reporting system **streamlines program management**
- Powerful controls can help you **keep spending in check and drive transactions to preferred suppliers**
- Online access to spend data **simplifies reconciliation**
- Comprehensive reporting helps you **monitor policy compliance**
- Receipt imaging **reduces manual processes**
- Automated cost allocation **improves accuracy and reduces manual work**
- Faster supplier payments **reduce manual A/R and collection costs**
- Single monthly statement **simplifies A/P processes**



Purchasing cards offer added controls and can be used at different points in the payables process

You can eliminate steps or use them with your current workflow



Purchasing cards can deliver significant benefits across the organization

They also support multiple stakeholder goals



Support Suppliers

- Consolidate suppliers
- Drive spend to preferred partners
- Negotiate deepest discounts



Improve Cash Management

- Extend float
- Increase DPO
- Gain potential incentives



Lower costs

- Reduce checks and POs
- Lessen mail costs
- Free up resources for other functions



Reduce risk

- Enhance audit and fraud controls
- Increase spend transparency
- Monitor policy compliance



Create Efficiencies

- Simplify purchasing
- Streamline payments
- Automate manual tasks

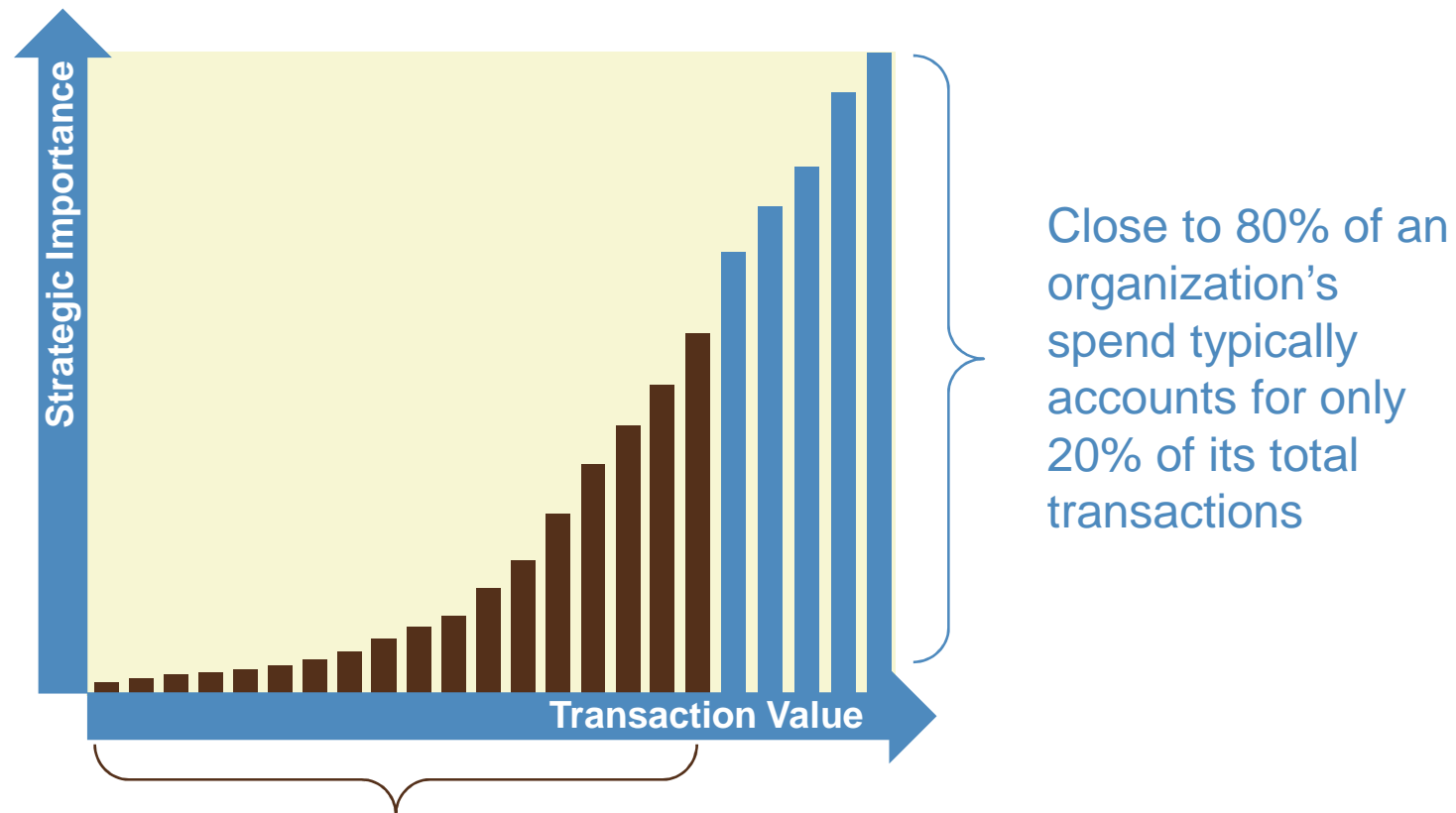


Increase oversight

- Obtain better data
- Improve budgeting/forecasting
- Make more informed decisions

Purchasing card accounts at a glance

Best fit for managing the “supplier tail” – low value, high frequency spend



Processing the remaining 20% can consume internal resources, time and money

Purchasing cards can reduce payment processing costs and improve negotiated savings

81%	lower transaction processing costs
70%	shorter cycle time from when order is placed and goods are received
61%	of the companies who used purchasing card data in supplier negotiations captured higher discounts
68%	had improvements in supplier discounts from 1% to >4%.

Card payables benefit your suppliers and are less costly to process, particularly for low value spend

Supplier Benefits

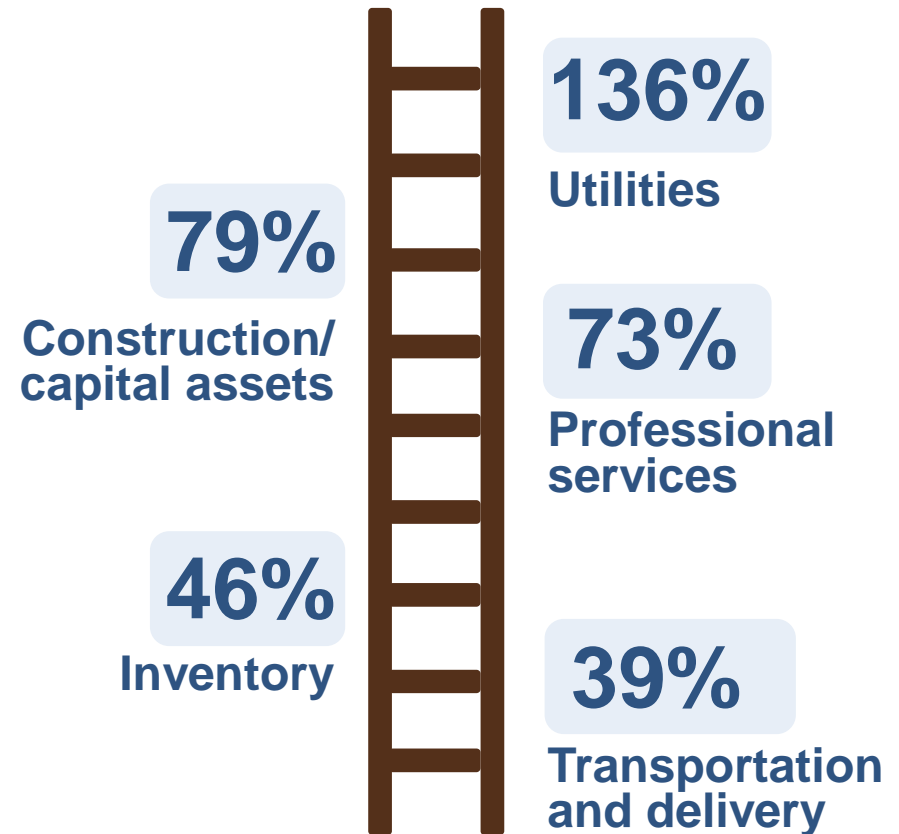
- Faster payment
- Reduced credit risk
- Lower collection costs
- Simplified A/R processing
- Preferred vendor status
- Potential for increased sales

Supplier Cost for \$500 Transaction Made at POS	
Wire	\$43.22
Check	\$33.17
ACH	\$32.80
Card	\$20.88

Card payments are 37% less costly for suppliers to process

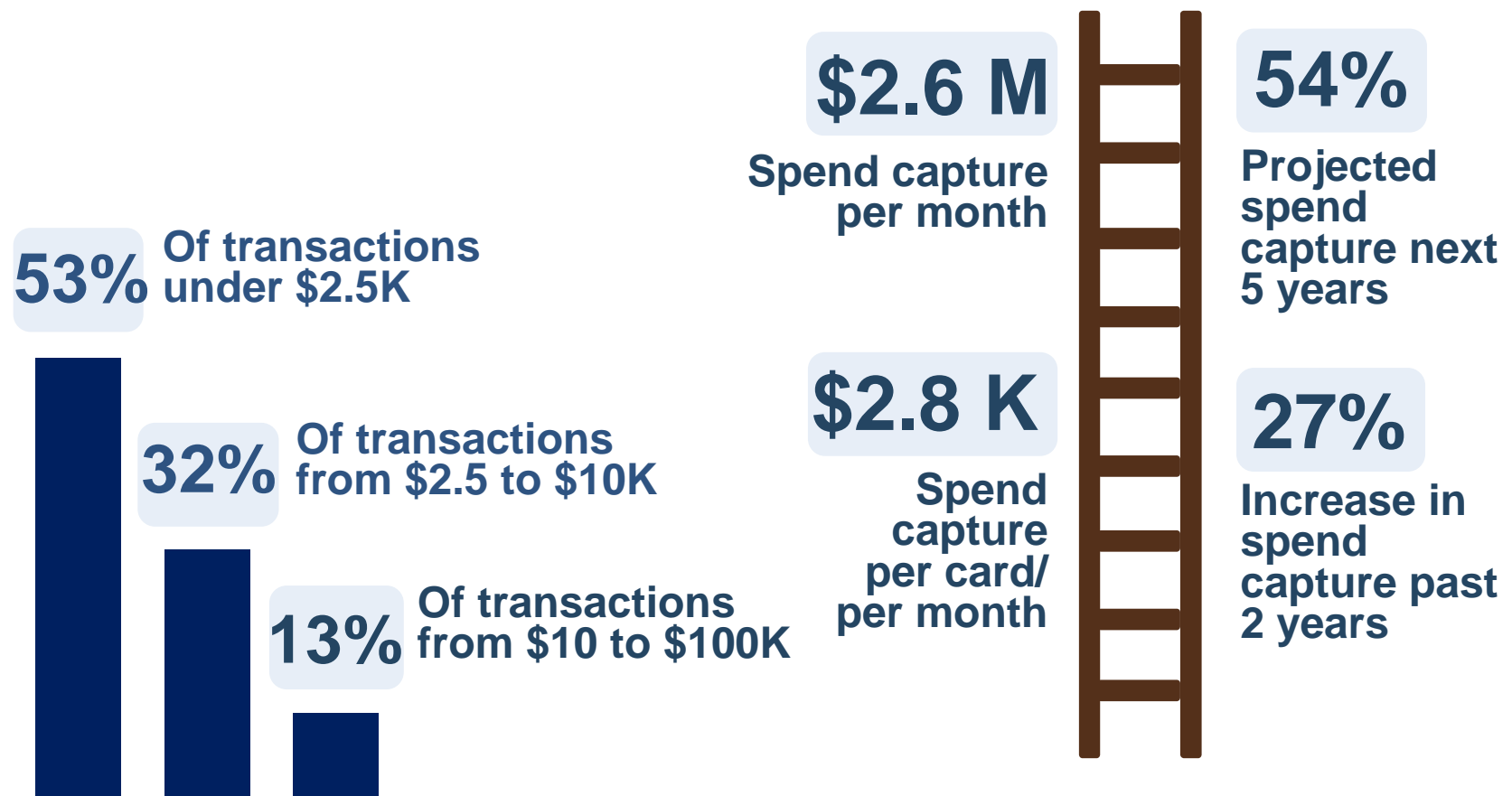
Best practice programs use their cards more often to capture spend across more commodities

They are also more likely to expand their purchasing card “toolkits” and a higher percentage use cardless accounts, ghost cards and EAP.





Organizations are steadily increasing capture of low value transactions with purchasing cards





Purchasing cards deliver savings on processing/ administrative costs and via supplier discounts

About 45% of respondents said purchasing cards replace petty cash at their companies, saving them an average of \$22 K annually in administrative costs.

\$38 B
Annual transaction processing savings across North America

\$70
Per transaction process savings

70%

Reduction in cycle time

66%

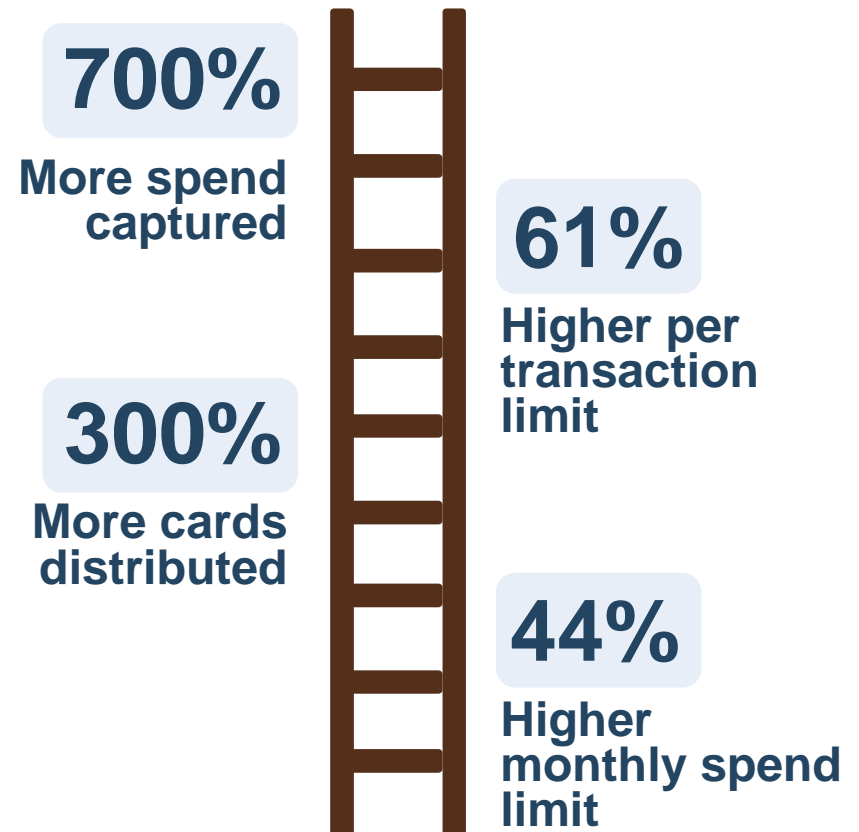
Report higher supplier discounts

Source: RPMG Research Corporation, 2014 Purchasing Card Benchmark Survey



Best practices programs distribute more cards, have higher limits and capture more spend

Companies with higher spend limits do not experience greater fraud loss than those with lower spend limits.



Source: RPMG Research Corporation, 2014 Purchasing Card Benchmark Survey

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What is Fraud?

External

- Also known as third party fraud
- Transaction(s) not authorized
- Fraud made with a lost, stolen or counterfeit card or stolen account information

Internal

- Also known as employee misuse
- Transaction(s) made with a company administered credit card for personal gain by an employee or contractor of the company
- Spend or activity is outside the parameters of the company policy

Program and fraud control

Front End

- Merchant Category Code (MCC) blocking
- Custom MCC groups. Exclusive & inclusive processing
- Dollar limits/Day or billing cycle
- Velocity limits by transactions/day or billing cycle
- J.P. Morgan dedicated fraud group

Back End

- Next day transaction data (detail displayed when passed by supplier)
- Numerous, flexible reporting options (standard and queries)
- Approval/Review feature with web-based reporting
- Automated chargeback process
- \$100,000 liability protection program for all new clients and renewals*

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